MSUKALIGWA
MUNICIPALITY / MUNISIPALITEIT

FINANCIAL STATEMENTS
FINANSIëLE STATE

2007/2008

MSUKALIGWA LOCAL MUNICIPALITY

ANNUAL FINACIAL STATEMENT FOR YEAR ENDED 30 JUNE 2008

I am responsible for the preparation of these annual financial statements, which are set our on page 1 to 34, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.
I certify that the salaries, allowances and benefits of Councillors as disclosed in note 18 of these annual financial statements are within the upper limits of the frameworks envisaged on Section 219 of the Constitution, read with the Remuneration of Public Offices Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

T H Kubheka
Municipal Manager

29/08/2008
Date

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General Information

MEMBERS OF THE EXECUTIVE COMMITTEE

B M Vilakazi	:	Executive Mayor
Z S Zwane	:	Full Time Councillor
N Shongwe	:	Full Time Councillor
M M I Zikhali	:	Councillor
L Butter	:	Councillor
M J Mndebele	:	Councillor

SPEAKER

Councillor N S Xaba

WARD COUNCILLORS

Ward 1	F T W Yende	Ward 9	K J Makhubu
Ward 2	N S Xaba	Ward 10	M J Blose
Ward 3	Z S Zwane	Ward 11	B A Maseko
Ward 4	W B S Makhubu	Ward 12	D R Mkomo
Ward 5	M J Mkhonza	Ward 13	S Marsh
Ward 6	T T Malaza	Ward 14	B E Nkosi
Ward 7	H F Swart	Ward 15	N Shongwe
Ward 8	G S Greyling	Ward 16	B J Nkosi

COUNCILLORS; PROPORTIONAL

P A Zulu	M J Mndebele
M S Nkosi	G A Vilakazi
M M Zikhali	B M Vilakazi
M P Nkosi	N G Mashinini
J S Bongwe	G B Prinsloo
N L Gininda	Z P G Mthimunye
Z Nkosi	M S Vilakazi
L Butter	W E Ritson

GRADING OF LOCAL AUTHORITY	:	Grade 8
AUDITORS	:	Auditor-General
BANKERS	:	Standard Bank
REGISTERED OFFICE	:	Civic Centre C/o Church and Taute streets P.O. Box 48 ERMELO 2350
TELEPHONE	:	(017) 801 3500
FACSIMILE	:	(017) 819 3210

MUNICIPAL MANAGER	:	**Mr. T H Kubheka**
Telephone	:	(017) 801 3752
E-Mail Address	:	tkubheka@msukaligwa.gov.za
DIRECTOR FINANCE	:	**Mr. H M Boers**
(Registered Municipal Accountant (Associate)		
Telephone	:	(017) 801 3502
E-Mail Address	:	dboers@msukaligwa.gov.za
DIRECTOR CORPORATE SERVICES	:	**Mr. J T Els**
Telephone	:	(017) 801 3506
E-Mail Address	:	jels@msukaligwa.gov.za
DIRECTOR HEALTH & COMMUNITY SERVICES	:	**Me. C K B Makhanye**
Telephone	:	(017) 801 3753
E-Mail Address	:	cmakhanye@msukaligwa.gov.za
DIRECTOR PUBLIC SAFETY & SEC.	:	**Mr. T V Mkhabela**
Telephone	:	(017) 801 3708
E-Mail Address	:	tmkhabela@msukaligwa.gov.za
DIRECTOR ENGINEERING	:	**Mr. M L Dlamini**
Telephone	:	(017) 801 3749
E-Mail Address	:	ldlamini@msukaligwa.gov.za

ENQUIRIES

Building Plans	:	(017)	801 3590
Electricity	:	(017)	801 3606
Water	:	(017)	801 3592
Sewerage	:	(017)	801 3750
Consumers	:	(017)	801 3519

PAYPOINTS

Civic Centre	Telephone	:	(017)	801 3500
Thusiville	Telephone	:	(017)	801 3738
Wesselton	Telephone	:	(017)	801 3723
Van Riebeeckstr.	Telephone	:	(017)	801 3723
Breyten/ Kwazanele	Telephone	:	(017)	861 3028
Chrissiesmeer/ Kwachibikulu	Telephone	:	(017)	847 0016
Davel/Kwadela	Telephone	:	(017)	629 3035
Lothair/ Silindile	Telephone	:	(017)	845 3007

ACCOUNTING POLICIES

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 and 992 of 2005, issued in Government Gazette of 7 and 15 December 2005;

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6,7 & 8	Have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP, GRAP OR GAAP.

5 RESERVES

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/ (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/ (deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/ (deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

5.3 Government Grant Reserve

When items of property, plant and equipment are purchased from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are purchased from public contributions and donations, a transfer is made from the accumulated surplus to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Fixed Assets

Property, plant and equipment comprise tangible item that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.

Property, plant and equipment, is stated at cost, less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure relating to property, plant and equipment is capitalized if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

6.2 Depreciation

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The depreciable amount of an asset is the cost of an asset less its residual value. Residual value is the estimated amount an entity would currently obtain from disposal of the asset, if the asset were already of the age in the condition expected at the end of the useful life.
Depreciation is charged to the Statement of Financial Position so as to write off the depreciable amount of the assets, other than land, over their estimated useful lives. The depreciation rates are based on the following estimated useful lives: - (In more detail in accordance with Council's Asset Management Policy)

DETAILS	YEARS	DETAILS	YEARS
Infrastructure		***Other***	
Rivers and Coastal Engineering		Buildings	30
Roads and Motorways	10-15	Markets and Informal Markets	30
Economic Development		Fire Engines	20
Traffic Equipment	5	Landfill Sites	30
Storm water Drainage	20	Car Parks	20
Airport Infrastructure	20	Lifts	
Solid Waste	30	Building Improvements	30
Water and Sanitation	20	Heavy and Mobile Plant	10-15
Major Substations: Buildings	30	Furniture and Fittings	7-10
Transformers and Related Equipment	20	Vehicles	5-7
Mains	20	Bins and Containers	5-10
Street Lighting	25	Plant – General	2-5
		Security Systems	3
Community		Office Equipment	3-7
Buildings	30	Other items of Plant and Equipment	2-5
Recreational Facilities	30		

The useful life of an item of property, plant and equipment is reviewed periodically and, if expectations are significantly different from previous estimates, the depreciation charge from the current and future periods shall be adjusted

These estimated useful lives and depreciation methods was not reviewed in the current year as required by GAMAP 17 as these requirements have been exempted in terms of Government Gazette 30013 of 29 June 2007.

6.2.1 Land

Land is not depreciated as it is regarded as having an infinite life.

6.2.2 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding to their estimated useful lives.

6.3 Disposal of property, plant and equipment

- The book values of assets are written off on disposal.
- The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

6.4 Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it should be written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance. The municipality should assess at each reporting date whether there is any indication that any items of PPE may be impaired by reviewing external and internal sources of information which indicates that impairments may have occurred.
For the current year, the municipality did not perform impairment testing on its assets as required by GAMAP 17 and IAS 36/AC128, as these requirements have been exempted in terms of Government Gazette 30013 of 29 June 2007.

7 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorized as either *Financial Assets* or *Financial Liabilities*.

7.1 Financial Assets:

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits
- Long-term Receivables
- Consumers Debtors
- Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the *three* categories allowed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
Investment in Fixed Deposits	Held to maturity
Long-term Receivables	Loans and receivables
Consumers Debtors	Loans and receivables
Other Debtors	Loans and receivables
Short-term Investment Deposits	Held to maturity
Bank Balances and Cash	Available for sale

7.2 Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Provisions
- Creditors
- Bank overdraft
- Current Portion of Long-term Liabilities
- Defined Benefit Obligations
- Consumer Deposits
- VAT

There are two main categories of *Financial Liabilities*, the classification based on how they are measured. Financial liabilities may be measured at:

- Fair value through profit or loss; or
- Not at fair value through profit or loss (other financial liabilities)

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Any other financial liabilities should be classified as financial liabilities that are not measured at fair value through profit or loss

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

Creditors
Creditors are stated at their nominal value.

7.3 Measurement

Financial Instruments are in the current and prior years recognized and measured at cost.
The requirement of IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 that financial instruments should initially be measured at fair value has been exempted in terms of Government Gazette 30013 of 29 June 2007.

Financial Assets:

a) Held-to-maturity investments-
Are measured at amortised cost less any impairment losses recognized to reflect irrecoverable amounts.

b) Loans-and-receivables, which include trade receivables are measured at amortised cost less impairment losses, which are recognized in the Statement of Financial Performance.

c) Financial assets at fair value-
Are measured at fair value with the profit or loss being recognized in the Statement of Financial Performance.

d) Available-for-sale-
Are measured at fair value with the profit or loss being recognized in the Statement of Financial Performance.

Cash and cash equivalents are measured at fair value, with changes in fair value being recognised in the Statement of Financial Performance.

7.4 Impairment of Financial Assets

For the current year, the municipality did not perform impairment testing on its financial assets as required by GAMAP 17 and IAS 39, as these requirements have been exempted in terms of Government Gazette 30013 of 29 June 2007.

Consumer Debtors:

Consumer debtors are stated at cost less a provision for bad debts. The provision is made for all debtors that are older than 90 days as all debtors are regarded as having similar credit risk.

8 INVENTORIES

Consumable stores, raw materials, work-in-progress, unused water and finished goods are stated at the lower of cost and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
In general, the basis of determining cost is the first-in, first-out method.
If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water and purified efficient are valued at purified cost insofar as it's stored and controlled in reservoirs at year-end.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

9 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. No settlement discount is applicable.

Revenue for the current year was initially recognised at cost in terms of Government Gazette 30013 of 29 June 2007.

9.1 Revenue from Exchange Transaction

9.1.1 Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

9.1.2 Pre-paid Electricity.

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale.

9.1.3 Interest earned.

Interest and rentals are recognised on a time proportion basis.

9.1.4 Dividends and Royalties.

Dividends and royalties are recognised on the date that the municipality becomes entitled to receive the dividend or royalty in accordance with the substance of the relevant agreement, where applicable.

9.1.5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

9.1.6 Income from Agency Services

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

9.1.7 Sale of Goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- The municipality has transferred to the purchaser the significant risks and rewards of ownership of goods,
- The entity retains neither continuing managerial involvement to the degree associated with ownership nor effective control over the goods sold
- The amount of revenue can be measured reliably
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The cost incurred or to be incurred in respect of the transaction can be measured reliably.

9.1.8 Government Grants and Public Contributions:

Revenue from Government Grants and Public Contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment when such items of PPE is brought into use. Where government grants and public contributions have been received but the municipality has not met the condition, a liability is recognised.
The requirements of IAS 20 (excluding paragraphs 24 and 26) have not been met in the current and prior financial years as these requirements have been exempted in terms of Government Gazette 30013 of 29 June 2007.

A government grant related to a non-current asset with a useful life (e.g. PPE, intangible assets, etc.) including non-monitory grants at fair value, are presented in the statement of financial position as deferred income that is recognised as income on a systematic and rational basis over the useful life of the asset.

9.1.9 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

9.1.10 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

9.1.11 Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of PPE are brought into use. Contributed PPE are recognised when such items of PPE are brought into use.

9.2 Revenue from Non-exchange Transactions

9.2.1 Revenue from Recovery of Unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councilors or is virtually certain. Such revenue is based on legislated procedures.

10 CONDITIONAL GRANTS AND RECEPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, sonditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

11 PROVISIONS

A provision is a liability of uncertain timing or amount.
Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

12 POST-EMPLOYMENT BENEFITS

Defined Contribution plans are benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Post employment medical care benefits are provided by the municipality to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The amount recognised in the balance sheet represents the present value of the defined contribution obligation. The amount is discounted by using the market related interest rate at the balance sheet date.

13 LEASES

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. Leases are classified as finance or operating leases at the inception of the lease.

13.1 In the capacity as Lessee

Rental payable under operating leases are recognised on the straight-line basis over the term of the relevant lease.
Operating lease rentals have not been recognised on the straight-line basis over the term of the relevant lease as required by IAS 17 as these requirments have been exempted in terms of Government Gazette 30013 of 29 June 2007.

14 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. Contingent assets are not recognised as assets.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

15 BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

16 VALLUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

17 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

18 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21 FOREIGN CURRENCIES

The functional currency of the municipality is based on the currency of the primary economic environment in which the municipality operates.

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

22 COMPARATIVE INFORMATION

22.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

22.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

MSUKALIGWA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net Assets		**214,629,388**	**203,271,609**
Capital Replacement Reserve	27	1,780,540	1,389,816
Capitalisation Reserve	27	58,446,868	62,310,709
Government Grant Reserve	27	135,246,275	122,341,641
Accumulated Surplus/(Deficit)	28	19,155,705	17,229,443
Non-Current Liabilities		**10,108,946**	**8,017,738**
Long-term Liabilities	1	1,518,482	2,222,314
Post retirement medical benefit obligation	31	8,590,464	5,795,424
Current Liabilities		**38,503,674**	**33,217,281**
Consumer Deposits	2	4,460,018	4,207,277
Provisions	3	956,719	349,235
Creditors	4	21,677,475	20,238,859
Unspent Conditional Grants & Receipts	5	10,694,459	7,682,868
Current Portion of Long-term Liabilities	1	715,003	739,042
Total Net Assets & Liabilities		**263,242,008**	**244,506,628**
ASSETS			
Non-current Assets		**197,692,173**	**192,471,447**
Property, Plant & Equipment	6	192,618,563	182,361,597
Investments	7	5,000,000	10,000,000
Long-term Receivables	8	73,610	109,850
Current Assets		**65,549,835**	**52,035,181**
Inventory	9	10,291,358	10,826,102
Consumer Debtors	10	40,241,815	27,389,396
Other Debtors	11	7,975,161	6,325,715
Current portion of long-term receivables	8	435,771	538,682
Call Investment Deposits	12.1	3,604,065	3,604,065
Bank Balances and Cash	12	3,001,665	3,351,221
Total Assets		**263,242,008**	**244,506,628**

MSUKALIGWA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note	Actual 2008 R	Actual 2007 R
REVENUE			
Property Rates	13	28,239,542	27,804,968
Service Charges	14	84,592,827	78,114,752
Un-earned finance charges	14.1	3,520,704	2,826,426
Government grants and subsidies	15	71,198,578	68,474,679
Fines		533,132	838,231
Interest earned - external investments		1,955,548	1,372,014
Interest earned - outstanding debtors		8,500,685	8,615,920
Rental of facilities and equipment		1,086,596	1,099,261
Licenses and permits		1,913,095	1,478,931
Income for Agency services		2,454,994	2,278,118
Gains on disposal of PPE		1,064,551	932,738
Other Income	16	4,591,082	9,752,815
Total revenue		**209,651,334**	**203,588,853**
EXPENDITURE			
Employee related costs	17	78,094,386	66,848,704
Remuneration of Councillors	18	5,926,006	6,198,183
General Expenses		28,587,341	23,410,975
Interest paid	19	325,215	229,955
Bulk purchases	20	35,145,410	35,276,610
Contracted Services		12,339,679	10,640,505
Collection costs		469,172	0
Repairs and Maintenance		10,213,630	7,164,162
Depreciation		15,654,322	15,214,730
Provision for bad debts		10,147,341	8,572,545
Provision for leave		607,484	2,415,000
Loss on disposal of PPE		241,213	0
Contributions to / (from) provisions		2,795,040	3,141,763
Total Expenditure		**200,546,239**	**179,113,132**
SURPLUS/(DEFICIT) FOR THE YEAR		**9,105,095**	**24,475,721**

Refer to Appendix E(1) for explanation of variances

MSUKALIGWA MUNICIPALITY

STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Pre-GAMAP Reserves & Funds	Housing Develop- ment Fund	Capital Replace- ment Reserve	Capitalisation Reserve	Government Grant Reserve	Donations & Public Contribution Reserve	Self-Insurance Reserve	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R	R	R
Balance on 1 July 2006			641,246	67,613,572	102,420,867	0	0	0	7,315,470	177,991,155
										0
Surplus / (deficit) for the year									24,475,721	24,475,721
Transfer to provision for bad debts										0
Transfer from accumulated surplus to Inventory - Unsold water reserves									44,062	44,062
Transfer to CRR			3,369,713						(3,369,713)	0
Property, plant and equipment purchased			(2,621,143)						2,621,143	0
Capital grants used to purchase PPE										0
Donated/contributed PPE					28,970,968				(28,970,968)	0
Asset disposals									(1,475,483)	(1,475,483)
Offsetting of depreciation				(5,302,863)	(9,050,194)				14,353,057	0
Balance at 30 June 2007	**0**	**0**	**1,389,816**	**62,310,709**	**122,341,641**	**0**	**0**	**0**	**14,993,289**	**201,035,455**
Correction of Error *Refer to note 14*									(553,089)	(553,089)
Amortization of future discounting on debtors:2005/6									2,236,154	2,236,154
Amortization of future discounting on debtors:2006/7 *(Previous year discounted from debtors balance not part of book entries and trial balance)*									2,702,336	2,702,336
Restated balance	**0**	**0**	**1,389,816**	**62,310,709**	**122,341,641**	**0**	**0**	**0**	**19,378,690**	**205,420,856**
Surplus / (deficit) for the year									9,105,095	**9,105,095**
Transfer from accumulated surplus to provision for bad debts										
Transfer from accumulated surplus to Inventory - Unsold water reserves									103,437	**103,437**
Transfer to CRR			4,203,794						(4,203,794)	**0**
Property, plant and equipment purchased			(3,813,070)						3,813,070	**0**
Capital grants used to purchase PPE										
Donated/contributed PPE					22,892,521				(22,892,521)	**0**
Asset disposals										**0**
Offsetting of depreciation				(3,863,841)	(9,987,887)				13,851,728	**0**
Balance at 30 June 2008	**0**	**0**	**1,780,540**	**58,446,868**	**135,246,275**	**0**	**0**	**0**	**19,155,705**	**214,629,388**

MSUKALIGWA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		189,664,254	193,407,723
Cash paid to suppliers and employees		170,930,962	151,896,198
Cash generated from (utilised in) operations	22	18,733,292	41,511,525
Interest received		1,955,548	1,372,014
Interest paid		(325,215)	(229,955)
NET CASH FROM OPERATING ACTIVITIES		20,363,625	42,653,584
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(26,705,591)	(33,422,674)
Proceeds on disposal of PPE		1,328,389	932,737
(Increase) Decrease in non-current receivables		139,151	619,049
(Increase) Decrease in non-current investments		0	4,042
(Increase) Decrease in call investment deposits		0	3,500,000
(Increase) Decrease in fixed deposits		5,000,000	(10,000,000)
NET CASH FROM INVESTING ACTIVITIES		(20,238,051)	(38,366,846)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised (repaid)		(727,871)	1,257,301
Increase in consumer deposits		252,741	405,561
NET CASH FROM FINANCING ACTIVITIES		(475,130)	1,662,862
NET DECREASE IN CASH AND CASH AND EQUIVALENTS		(349,556)	5,949,600
Cash and cash equivalents at beginning of the year		3,351,221	(2,598,379)
Cash and cash equivalents at the end of the year	23	3,001,665	3,351,221

		2008 R	2007 R
1	**LONG-TERM LIABILITIES**		
	Annuity loans	2,233,485	2,961,356
	Sub-Total	2,233,485	2,961,356
	Less : Current Portion transferred to Current Liabilities	**715,003**	**739,042**
	Local Registered Stock	-	-
	Annuity loans	715,003	739,042
	Total External Loans	**1,518,482**	**2,222,314**
2	**CONSUMER DEPOSITS**		
	Electricity and Water	4,460,018	4,207,277
	No interest is paid on deposits held		
3	**PROVISIONS**		
	Leave Reserve	956,719	349,235
	Total Provisions	**956,719**	**349,235**

The movement in current provisions are reconciled as follows:

30 June 2007	**Audit Fees**	**Leave Reserve**	**Bad Debts**
Balances at beginning of year	-	61,340	107,132,819
Contribution to provisions	-	2,415,000	8,572,545
Additional contribution			
Expenditure incurred	-	(2,127,105)	(162,691)
Balance at end of year	**-**	**349,235**	**115,542,673**

30 June 2008	**Audit Fees**	**Leave Reserve**	**Bad Debts**
Balances at beginning of year	-	349,235	115,542,673
Contribution to provisions	-	2,596,125	10,147,341
Expenditure incurred	-	(1,988,641)	(5,169)
Balance at end of year	**-**	**956,719**	**125,684,845**

4	**CREDITORS**		
	Trade creditors	10,982,148	11,209,028
	Payments received in advance	5,482,169	3,779,479
	Retentions	1,237,654	308,558
	Provincial Government - Vehicle Licenses	370,271	821,379
	Salary electronic payments in July 2007	1,409,851	1,812,068
	Sesifuba Hospital	168,727	-
	VAT Credit balance (Note 4.1)	943,346	-
	Other	1,083,309	2,308,347
	Total Creditors	**21,677,475**	**20,238,859**
4.1	**VAT**		
	Opening balance	**182,862**	**(780,748)**
	Current year input VAT	10,945,626	**10,725,631**
	Current year output VAT	(11,888,972)	**(10,542,769)**
	Amount paid (received) - previous years	(182,862)	**780,748**
	Closing balance (Dt balance to note 11)(Cr balance to note 4)	(943,346)	182,862
5	**UNSPENT CONDITIONAL GRANTS AND RECEIPTS**		
5.1	**Conditional Grants (App. F)**	**10,694,459**	**7,682,868**
	Training Grant (Sita)	-	852,691
	Finance Management Grant	-	482,943
	LG Support Grant previous year	-	23,364
	LG Support Grant 05/06	-	10,459
	LG Support Grant 06/07	-	464,811
	TB Hospital capital grant	293,799	293,799
	Sewer capital grant (Dept. LG & H)	1,550,438	794,508
	Tractor & trailor for refuse (GSDM)	-	5,544
	Drouht Relief (DWAF)	530,789	30,789
	Sport fields capital grant	-	21,925
	Electricity ext. 32 - DME	873,311	21,644
	MIG Capital	7,268,791	4,168,815
	Computers grant private	-	1,234
	Salary subsidy from DPLG	-	148,721
	Operational Subsidy for PMU unit - MIG	-	361,621
	Cleanest town competition allocation	177,331	
6	**PROPERTY, PLANT AND EQUIPMENT**		
	(See separate note for detail)		
7	**INVESTMENTS**		
	Listed Investments		
	Financial Instruments		
	Fixed deposits	5,000,000	10,000,000
	Total Investments	**5,000,000**	**10,000,000**
8	**LONG TERM RECEIVABLES**		
	Vehicle Loans	269,214	303,501
	Stand Loans	206,977	311,841
	Study Loans	33,190	33,190
	Total	**509,381**	**648,532**
	Less : Current portion transferred to current receivables	**435,771**	**538,682**
	Vehicle Loans	269,214	301,986
	Stand Loans	133,367	203,506
	Study Loans	33,190	33,190
	Total	**73,610**	**109,850**

		2008	2007
		R	R
9	**INVENTORY**		
	Consumables stores at cost (Electrity stock included)	4,319,945	3,893,303
	Diesel at refuse dump site	95,580	15,818
	Diesel at Breyten workshop	15,054	
	Unsold water reserves (Refer to note 31.2)	250,529	147,091
	Unsold erven (Refer to note 31.2)	5,610,240	6,769,890
	Total Inventory	**10,291,358**	**10,826,102**
	Water purification cost as well as cost of water purchases has been included to calculate the value of unsold water reserves.		

10 CONSUMER DEBTORS

30 June 2007	Gross Balances	Provision for Bad Debts	Nett Balances
Service Debtors			
Rates and service charges	72,701,808	57,376,260	15,325,548
Electricity	25,431,997	18,018,915	7,413,082
Water	21,963,007	14,609,905	7,353,102
Indigents	25,537,593	25,537,593	-
Balance at end of year	**145,634,405**	**115,542,673**	**30,091,732**

30 June 2008	Gross Balances	Provision for Bad Debts	Nett Balances
Service Debtors:			
Rates and service charges	86,070,248	62,757,978	23,312,270
Electricity	30,551,163	21,483,874	9,067,289
Water	27,234,216	15,986,367	11,247,849
Indigents + Handovers (Sundry debtors)	25,456,626	25,456,626	-
Balance at end of year	**169,312,253**	**125,684,845**	**43,627,408**

AMORTISATION OF DEBTORS

	Nett Balance	Amortisation	Final Balance
Rates and service charges	23,312,270	2,080,062	21,232,208
Electricity	9,067,289	667,707	8,399,582
Water	11,247,849	637,824	10,610,025
Calculated Balance to Statement of Financial Position	**43,627,408**	**3,385,593**	**40,241,815**

10.1	**DEBTORS AGE ANALYSIS**		2008	2007
	Rates and Service charges	Current	5,510,673	4,356,232
		30 days	2,020,195	1,951,204
		60 days	1,673,676	1,701,477
		90 days and over	73,396,212	61,149,896
	Electricity	Current	4,078,318	4,012,906
		30 days	1,399,809	1,071,648
		60 days	729,489	726,299
		90 days and over	24,343,547	19,620,944
	Water	Current	2,188,071	2,044,491
		30 days	980,377	802,277
		60 days	687,441	849,417
		90 days and over	23,378,327	18,266,822
	Indigent debtors back on debtors accounts	Current		81,861
		30 days		2,573
		60 days		2,228
	Indigent debtors in abeyance	90 days and over		6,114
	Indigent debtors (From sundry debtors)		25,456,626	25,444,817
	Hand overs (From sundry debtors)		3,469,492	3,543,000
	Total		**169,312,253**	**145,634,406**

11	**OTHER DEBTORS**		
	VAT - Dt balance (See note 4.1)	-	182,862
	Dept. of Health - TB Hospital	-	342,849
	Comparex - Computer Services	15,950	308,905
	Other sundry debtors	7,959,211	5,491,099
	TOTAL	**7,975,161**	**6,325,715**

12 BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:
- Standard Bank Operating account 031 077 110
- Standard Bank Call account 7 3888753 6-001
- Standard Bank Marketlink account 33 551 552 5

	Current Account (Primary Bank Account)		
	Standard Bank - Account No. 031 077 110		
	Cashbook balance at the beginning of the year - Positive/(Overdrawn)	3,339,951	(2,609,649)
	Cashbook balance at the end of the year	2,990,995	3,339,951
	Petty cash balance at the beginning of the year (Included in cashbook balance)	11,270	11,270
	Petty cash balance at the end of the year (Not included in cashbook balance)	10,670	11,270
	Bank statement balance at the beginning of the year	7,721,438	2,099,878
	Bank statement balance at the end of the year - Certificate balance	6,923,734	7,721,438
12.1	Call Account investment - at the beginning of the year	3,604,065	7,104,065
	Call Account investment - at the end of the year	3,604,065	3,604,065

			2008	2007
			R	R
13	**PROPERTY RATES**			
	Residential & Commercial Private owners		35,095,043	26,543,164
	Government			1,261,804
	Less income forgone		(6,855,501)	
			28,239,542	**27,804,968**
	Valuations at 30 June 2008	**Properties**	**Total Value**	**Total Value**
	Residential	19,481	2,713,479,650	903,809,710
	Commercial	711	658,925,740	281,992,960
	Agriculture	2,469	1,148,028,240	26,835,200
	Government	273	307,898,800	82,332,600
	Municipal and non-taxable	4,796	161,791,442	70,926,093
	Total Property Valuations		4,990,123,872	1,365,896,563
	(Previous year on old valuations ito Ordinance)			
14	**SERVICE CHARGES**			
	Sale of Electricity	121 097 375 kWh	53,166,997	46,652,839
	Sale of Water	2 973 506 Kl	13,970,713	14,387,871
	Refuse Removal		10,223,159	9,460,619
	Sewerage and Sanitation Charges		11,491,818	10,747,382
	Other service charges		2,646,437	2,394,803
	Less amortisation to time already past		(3,520,704)	(2,826,426)
	Less amortisation to future discounting (Determined amount as calculated)		(3,385,593)	(2,702,336)
	Total Service Charges		**84,592,827**	**78,114,752**
14.1	**UN-EARNED FINANCE CHARGES**			
	Amortisation to time already past		**3,520,704**	**2,826,426**
15	**GOVERNMENT GRANTS AND SUBSIDIES**			
	Equitable share		40,381,080	34,283,482
	Sesifuba hospital subsidy (100% subsidised)		2,336,760	2,243,417
	Primary health care subsidy (Partial subsidy for Clinic services from Health Dept.)		808,000	1,616,000
	Capital Grants (GSDM + MIG + DWAF + DME)		22,892,521	28,970,968
	MSIG		1,209,270	353,032
	Finance Management Grant		982,943	
	Other grants		2,588,004	1,007,780
	Total		**71,198,578**	**68,474,679**

* In terms of the constitution the equitable share is used to subsidise the provision of free basic services.
Water is provided to all residential consumers at a zero rate for the first 6 kiloliter valued at R12.75 p/m
Electricity basic charge is provided at zero rate for all consumers on max. 20 ampere electricity supply. Value R78.60 p/m
Registered indigents receive 50 units free electricity valued at R22.00 p/m Subsidy of other services amounts to approximately R105.85 p/m

16	**OTHER INCOME**		
	Administration fees	221,419	186,914
	Commission on Insurance premiums	60,093	59,162
	Insurance repayments	-	-
	Royalties Brick & Quarry	79,880	123,765
	Royalties Mineral lease	1,320,652	1,087,479
	Private works	-	120
	Maintenance contribution golf club	332	62,782
	VAT audit backpayment from SARS	550,210	4,168,914
	Moneys received unallocated	1,926,940	3,424,538
	Other income	431,556	639,141
	Total other income	**4,591,082**	**9,752,815**
17	**EMPLOYEE RELATED COST**		
	Employee related cost - Salaries and wages	52,724,335	45,786,140
	Employee related cost - Contributions for UIF, pensions and medical aids	14,588,691	12,540,627
	Travel and other allowances	3,974,257	3,215,019
	Overtime and relieve payments	6,807,103	5,306,918
	Total Employee Related Cost	**78,094,386**	**66,848,704**
	(Remuneration details included to Total Employee Related Cost above.)		
	Section 124(1) [c]		
	Remuneration of the Municipal Manager		
	Annual Remuneration Package	601,232	564,908
	Total	**601,232**	**564,908**
	Remuneration of the Chief Financial Officer		
	Annual Remuneration Package	486,399	456,713
	Total	486,399	456,713
	Remuneration of the Deputy Municipal Manager		
	Position removed from organogram		472,711
	Total	**-**	**472,711**
	Remuneration of the Director Engineering Services		
	Annual Remuneration Package	486,399	456,713
	Total	**486,399**	**456,713**
	Remuneration of the Director Public Safety & Security		
	Annual Remuneration Package	486,399	456,713
	Total	**486,399**	**456,713**
	Remuneration of the Director Corporate Services		
	Annual Remuneration Package	486,399	456,713
	Total	**486,399**	**456,713**

			2008	2007
			R	R
	Remuneration of the Director Health & Community Services			
	Annual Remuneration Package		486,399	456,713
	Total		**486,399**	**456,713**
	Section 124 (1) [a]			
18	**REMUNERATION OF COUNCILLORS**			
	Mayor		295,546	479,148
	Speaker		229,587	383,333
	Executive Committee		800,454	1,284,048
	Councillors		2,282,660	3,763,846
	Housing			
	Travelling allowances		1,406,262	
	Cell phone allowances		309,264	287,808
	Pension contributions		541,848	
	Medical Aid contributions		60,385	
	Total Councillors Remuneration		**5,926,006**	**6,198,183**
	The Mayor, Speaker and full time councilors are provided with office space. The mayor has use of a council's vehicle and driver for official duties. The Mayor and Speaker has the support of their personal assistants.			
19	**INTEREST PAID**			
	Long-term Liabilities		325,215	229,955
	Total Interest Paid		**325,215**	**229,955**
20	**BULK PURCHASES**			
	Electricity	167 985 533 unit	34,135,037	33,048,209
	Water	451771 Kl	1,010,373	2,228,401
	Total Bulk Purchases		**35,145,410**	**35,276,610**
22	**CASH GENERATED BY OPERATIONS**			
	Net surplus (deficit) for the year		**9,105,095**	**24,475,721**
	Adjustments for:-			
	Depreciation		15,654,322	15,214,730
	Gain on disposal of property, plant and equipment		(1,064,551)	(1,051,366)
	Contribution to provisions - non-current (Note 31)		2,795,040	3,141,763
	Contribution from provisions - non current		-	-
	Contributions to provisions - current		2,596,125	2,415,000
	Contribution to bad debt provision		10,147,341	8,572,545
	Transfer from accumulated surplus to inventory (water)		(103,438)	
	Investment income		(1,955,548)	(1,372,014)
	Interest paid		325,215	229,955
	Amortization on Debtors		3,385,593	-
	Operating surplus before working capital charges		40,885,194	51,626,334
	(Increase) Decrease in Inventories		534,744	(94,932)
	(Increase)/Decrease in Debtors		(23,677,848)	(19,143,468)
	(Increase) Decrease in other debtors		(1,649,446)	954,871
	Increase/ (Decrease) in conditional grant and receipts		3,011,591	4,516,664
	(Increase) Decrease in Provisions		(1,992,421)	(2,127,105)
	Increase (Decrease) on VAT receivable		182,862	(780,748)
	Increase/(Decrease) in Creditors		1,438,616	6,559,909
	Cash generated by operations		**18,733,292**	**41,511,525**
23	**CASH AND CASH EQUIVALENTS**			
	Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:			
	Cashbook balance at the end of the year		2,990,995	3,339,951
	Petty cash		10,670	11,270
	Total		**3,001,665**	**3,351,221**
24	**GENERAL EXPENSES**			
	Included in general expenses are the following:-			
	Operating Leases			
	Operating leases iro automated office machines - minimum payments		**1,203,183**	**1,152,924**
	The municipality lease office automation machines from various service providers over a lease period of a maximum period of 3 years. The last lease agreements will terminate March 2011			
	Future minimum lease payments at 30 June 2008:	Up to year 1	Up to year 2	Up to year 3
	(New contract)	**648,370**	**648,370**	**486,278**

		2008 R	2007 R
25	**ADDITIONAL DISCLOSURE IN TERMS OF THE MFMA**		
	Section 124 (1) [b]		
25.1	**Disclosure of concerning councillors**		
	The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2008		
	MJ Blose	2,046	1,513
	L Butter	-	5,737
	WBS Makhubu	-	601
	S Marsh	1,398	4,686
	BA Maseko	5,550	4,987
	MJ Mndebele	2,561	2,478
	MS Nkosi	1,897	1,704
	N Shongwe	-	907
	MMI Zikhali	-	1,147
	PA Zulu	11,175	18,360
	MS Vilakazi	1,489	
	NS Xaba	937	
	Section 125 (1) [b]		
25.2	**Contributions to organised local government**		
	Opening balance	-	-
	Council subscriptions	298,224	264,488
	Amount paid - current year	(298,224)	(264,488)
	Amount paid - previous year	-	-
	Balance unpaid (included in creditors)	-	-
	Section 125 (1) [c]		
	Payments to various institutions		
25.3	**Audit fees**		
	Opening balance	-	-
	Current year audit fees	617,753	760,507
	Amount paid - current year	(617,753)	(760,507)
	Amount paid - previous years	-	-
	Balance unpaid (included in creditors)	-	-
25.4	**VAT**		
	VAT inputs receivables and VAT outputs receivables are shown in note 4.1		
	All VAT returns have been submitted by the due date throughout the year.		
25.5	**PAYE and UIF**		
	Opening balance	-	-
	Current year payroll deductions	9,053,059	7,723,290
	Amount paid - current year	(9,053,059)	(7,723,290)
	Amount paid - previous year	-	-
	Balance unpaid (included in creditors)	-	-
25.6	**Pension and Medical Aid Deductions**		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	14,142,833	12,103,572
	Amount paid - current year	(14,142,833)	(12,103,572)
	Amount paid - previous year		
	Balance unpaid (included in creditors)	-	-
25.7	**In kind donations or assistance**		
	None		
26	**CONTINGENT LIABILITIES**		
	None		
27	**ACCUMULATED RESERVES**	**195,473,683**	**186,042,166**
	Capital Replacement Reserve	1,780,540	1,389,816
	Capitalization reserve	58,446,868	62,310,709
	Government Grant reserve	135,246,275	122,341,641
28	**ACCUMULATED SURPLUS**	**19,155,705**	**17,229,443**
	Accumulated surplus 30 June 2007	17,229,443	7,315,470
	Amortization of previous year debtors	2,702,336	2,236,154
	Surplus/(Deficit) for the year	9,105,095	24,475,721
	Transfer to CRR	(4,203,794)	(3,369,713)
	PPE expenditure from CRR	3,813,070	2,621,143
	Government grants used to purchase PPE	(22,892,521)	(28,970,968)
	Asset disposals	(553,089)	(1,475,483)
	Offsetting of depreciation	13,851,728	14,363,057
	Transfer to inventory - Unsold water	103,437	44,062

			2008 R		2007 R
29 STATISTICAL INFORMATION					
ELECTRICITY					
Purchase cost		R	34,135,037	R	33,048,209
Total cost (include streetlighting)		R	59,194,125	R	56,230,156
Sales income		R	53,166,997	R	46,652,839
Purchased units	kWh		167,985,533		157,216,242
Sold units	kWh		121,097,375		116,438,353
Units loss in distribution	kWh		46,888,158		40,777,889
Cost of loss in distribution		R	9,527,674	R	8,571,512
Loss in distribution			27.91%		25.94%
Benchmark norm for distribution losses			10.00%		10.00%
Nett loss in distribution			17.91%		15.94%
Cost per unit based on purchase cost			0.2032		0.2102
Cost per unit based on total cost			0.3524		0.3577
Income per unit			0.4390		0.4007
Nett loss in distribution over and above the benchmark losses - units			30,088,388		25,057,808
Nett cost of loss in distribution over and above the benchmark losses		R	6,113,960	R	5,267,151
WATER					
Purchase cost		R	1,010,373	R	2,228,401
Total cost		R	22,113,001	R	20,655,504
Sales income		R	13,970,713	R	14,387,871
Purchased kiloliters	Kl		451,771		1,355,073
Own resourses kiloliters	Kl		4,151,157		4,500,731
Total purified water kiloliters	Kl		4,602,928		5,855,804
Sold kiloliters plus addisional provision as calculated	Kl		2,975,919		3,194,322
Kl loss in distribution	Kl		1,627,009		2,661,482
Cost of loss in distribution		R	7,816,151	R	9,387,047
Loss in distribution			35.35%		45.45%
Benchmark norm for distribution losses			10.00%		10.00%
Nett loss in distribution			25.35%		35.45%
Cost per kiloliter purified			4.804		3.527
Cost per kiloliter sold			7.4306		6.4663
Income per kiloliter			4.6946		4.5042
Nett loss in distribution over and above the benchmark losses - kiloliters			1,166,752		2,075,897
Nett cost of loss in distribution over and above the benchmark losses		R	5,605,077	R	7,321,689
Calculation of water utilized in water provision to communities					
Kiloliters sold	Kl		2,973,506		2,981,122
Calculation of water not metered but utilized from purified water					
Unmetered communities with standpipe provision	Ki		-		84,500
Water provision by tankers	Ki		2,413		35,700
Unmetered new development housing projects	Kl		-		93,000
Total water provision	Kl		2,975,919		3,194,322

WATER STOCK IN RESERVOIRS AS AT 30 JUNE 2008		2008 MEGALITER	2007 MEGALITER
Reservoir at Ermelo - airodrome	10 Ml x 75%	7.50	5.00
Reservoir at Wesselton	10 Ml x 75%	7.50	7.50
Reservoir at Ermelo - south	20 Ml x 90%	18.00	16.00
Reservoir Davel	4 Ml x 70%	2.80	2.80
Reservoirs Lothair	5 Ml x 80%	4.00	5.00
Reservoirs Lothair	2 Ml x 80%	1.60	2.00
Reservoirs Lothair	1.25 Ml x 100%	1.25	1.25
Reservoirs Breyten	4 Ml x 50%	2.00	2.00
Reservoirs Breyten	1 Ml x 100%	1.00	1.00
Reservoirs Breyten	5 Ml x 100%	5.00	5.00
Reservoirs Breyten	1.5 Ml x 100%	1.50	1.50
Total		**52.15**	**49.05**
Calculated Inventory unsold water	4.804	250,528.60	147,091.14

	2008	2007
	R	R

30 Certain current year accounting policies (in accordance with the exemptions in Gazette no. 30013 of 29 June '07) correspond with that applied in the prior year. The changes in accounting policies will be applied prospectively and refers to the following accounting policy notes:

Note 6 - Property, plant and equipment
The estimated useful lives of property, plant & equipment and depreciation methods have not been reviewed and the impairment of assets was not assessed in the current financial year.

Note 7 - Financial instruments; cash and bank balance, investments, trade receivables and borrowings.
Financial instruments were initially measured at cost in the current financial year.

Note 9 - Revenue.
Revenue was initially measured at cost in the current financial year.
Comparitive information and amounts have not been reclassified and may, therefor, not be consistent with the current year information and amounts.

Note 13 - Leases.
Operating lease rentals have not been recognised on the straight-line basis over the term of the relevant lease agreements.

31 PROVISION FOR POST RETIREMENT BENEFIT OBLIGATION

Post-Retirement medical aid benefit contributions - Defined benefit plan.

In terms of the International Accounting Standards (19) calculations were made by Management to estimate the initial recognition of a post-retirement medical aid benefit contribution to its employees and disclosed as a Non-Current Liability.

In terms of Government Gazette 30013 the benefit of the exemption apply in terms of treatment of the calculation of the benefit.
(See exemptions)
Principals for Calculation:

Estimated life expectancy:- Men = 70 years of age
Women = 75 years of age
Remaining period for liability:- From normal retirement age of 65
For pensioners already reached the age of 70 or 75, one year is added to the calculation of benefit obligations.

Council contribution:- 60% of the total contribution

Initial calculation:	2008	2007	2006
Post-retirement medical aid benefit liability	14,180,544	15,220,713	13,268,304
Less provided during 2005/2006 and 2006/2007 financial years	(5,795,424)	(2,653,661)	
Amount to be provided phased in over the remaining period of 3 years	8,385,120	12,567,052	
Phasing in over a period of 5 years - IAS 19: Year one			2,653,661
Phasing in over a period of 4 years - IAS 19: Year two		3,141,763	
Phasing in over a period of 3 years - IAS 19: Year three	2,795,040		

30 JUNE 2007		
Balances at beginning of year	5,795,424	2,653,661
Contribution to non-current liability	2,795,040	3,141,763
Additional contribution		-
Expenditure incurred		-
Balance at end of year	8,590,464	5,795,424

32 SUPPLY CHAIN MANAGEMENT
In terms of section 36 of the supply chain management policy various deviations has been approved and submitted to Council on monthly report in terms of subsection 36(2) of the policy, and approved accordingly. Details are on file.

MSUKALIGWA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

6 PROPERTY, PLANT & EQUIPMENT (PPE)

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying value at 1 July 2007	8,402,641	132,537,492	14,820,258	5,998	26,595,208	**182,361,597**
Cost	8,402,641	252,584,947	17,863,462	11,830	45,993,157	**324,856,037**
Correction of Error						
Accumulated Depreciation	0	(120,047,454)	(3,043,204)	(5,830)	(19,397,950)	**(142,494,438)**
Acquisitions		21,795,596	1,202,137		3,707,858	26,705,591
Depreciation		(12,098,343)	(284,173)	(998)	(3,270,808)	(15,654,322)
-based on cost		252,584,947	17,863,462	11,830	45,993,157	316,453,396
Carrying value of disposals		(553,088)			(241,215)	(794,303)
Accumulated depreciation		132,145,797	3,327,377	6,830	21,536,426	157,016,430
Impairment losses						
Other movements						
Carrying values at 30 June 2008	**8,402,641**	**141,681,657**	**15,738,222**	**5,000**	**26,791,043**	**192,618,563**

NOTE: The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The municipality is in process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009.
The municipality has taken advantage of the exemptions granted in gaxette 30013 of 29 June 2007 and the following should be disclosed:

* The usefull life or depreciation method used were not reviewed.
* Items of property, plant and equipment were not assessed for impairment and is not aware of any impairments to assets.
* Included in land and buildings are items that may meet the defenition of investment property.
* Included in PPE are items that may meet the defenition of inventory.
* Depreciation on these assets is calculated on an average basis whereby an average useful life has been estimated for each category of infrastructure, using global historical costs recorded in the accounting records.
* No depreciation is calculated on buildings due to the low historical cost of those assets.

APPENDIX A
MSUKALIGWA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

External Loans	Loan Number	Redeemable	Balance at 30 /06/2007	Received during the period	Redeemed or written off during period	Balance at 30/06/2008	Carrying value of Property, Plant & Equipment	Other costs in accordance with MFMA
Long Term Loans								
None								
Annuity Loans								
D.B.S.A. 13.56%	12600&12181	30-Jun-2014	108,722		10,092	98,630	58,786	
			108,722		**10,092**	**98,630**		
Bankfin Loans								
	60890973	1-Feb-2008	68,456		68,456	0	55,947	
	64934207	1-Jun-2009	32,269		15,016	17,253	23,305	
	64934185	1-Jun-2009	32,269		15,016	17,253	25,180	
	64934193	1-Jun-2009	32,269		15,016	17,253	25,180	
	64934177	1-Jun-2009	49,197		22,895	26,302	50,747	
	64934045	1-Jun-2009	29,861		13,895	15,966	33,599	
	64934053	1-Jun-2009	29,861		13,895	15,966	32,666	
	64934010	1-Jun-2009	29,861		13,895	15,966	32,312	
	64934029	1-Jun-2009	29,861		13,897	15,964	32,666	
	94934037	1-Jun-2009	29,863		13,897	15,966	32,666	
			363,767	**0**	**205,878**	**157,889**		
Stannic Loans								
	68195249-0002	1-May-2010	491,823		149,416	342,407	271,337	
	68195249-0003	1-Jul-2010	139,992		39,734	100,258	73,358	
	68195249-0004	1-Aug-2010	111,494		29,599	81,895	55,440	
	68195249-0007	1-Dec-2011	131,884		23,288	108,596	97,313	
	68195249-0008	1-Dec-2011	131,884		23,288	108,596	97,313	
	68195249-0009	1-Jan-2012	281,240		48,704	232,536	258,206	
	68195249-0010	1-Jan-2012	281,240		48,704	232,536	258,206	
	68195249-0011	1-Feb-2012	389,809		66,013	323,796	293,224	
	68195249-0012	1-Mar-2012	139,269		22,904	116,365	106,126	
	68195249-0013	1-Jun-2012	195,116		30,078	165,038	173,978	
	68195249-0014	1-Jun-2012	195,116		30,172	164,944	173,978	
			2,488,867	**0**	**511,900**	**1,976,967**		
Total			**2,961,356**	**0**	**727,870**	**2,233,486**		

APPENDIX B
MSUKALIGWA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2008

Sector / Sub-sector	Cost / Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land										
Erven	7,528,213				7,528,213	0			0	7,528,213
Agricultural	874,428				874,428	0			0	874,428
	8,402,641	**0**	**0**	**0**	**8,402,641**	**0**	**0**	**0**	**0**	**8,402,641**
Infrastructure										
Water Reticulation	66,795,889	2,775,104	8,834,781	(553,089)	77,852,685	17,089,905	3,112,397		20,202,302	57,650,383
Security Measures	616,668	14,105			630,773	511,268	5,521		516,789	113,984
Sewerage	49,759,122	1,914,688			51,673,810	19,608,895	2,363,594		21,972,489	29,701,321
Roads and Storm water	90,702,340		4,059,575		94,761,915	53,468,293	4,902,713		58,371,006	36,390,909
Pedestrian Malls	653,986	23,655			677,641	515,934	30,163		546,097	131,544
Electricity	43,088,621	4,034,535	139,153		47,262,309	28,819,688	1,683,955		30,503,643	16,758,666
Airport	968,321				968,321	33,471			33,471	934,850
	252,584,947	**8,762,087**	**13,033,509**	**(553,089)**	**273,827,454**	**120,047,454**	**12,098,343**	**0**	**132,145,797**	**141,681,657**
Community Assets										
Recreation Grounds	5,637,762	1,531			5,639,293	624,820	95,417		720,237	4,919,056
Community Buildings	12,225,700	321,759	878,847		13,426,306	2,418,384	188,756		2,607,140	10,819,166
	17,863,462	**323,290**	**878,847**	**0**	**19,065,599**	**3,043,204**	**284,173**	**0**	**3,327,377**	**15,738,222**
Heritage Assets										
Monuments	1,830				1,830	1,832	(2)		1,830	0
Paintings	10,000				10,000	4,000	1,000		5,000	5,000
	11,830	**0**	**0**	**0**	**11,830**	**5,832**	**998**	**0**	**6,830**	**5,000**
Other assets										
Bins and Containers	609,008	107,400		(69,749)	646,659	248,540	60,469	(39,127)	269,882	376,777
Other Buildings	15,377,666	45,200			15,422,866	215,463	33,847		249,310	15,173,556
Emergency Equipment	867,446	140,182			1,007,628	578,544	38,809		617,353	390,275
Furniture and Fittings	1,658,166	623,893		(28,276)	2,253,783	1,363,287	78,730	(16,045)	1,425,972	827,811
Motor Vehicles	8,962,652	170,719		(350,904)	8,782,467	5,444,209	930,296	(219,093)	6,155,412	2,627,055
Office Equipment	8,839,085	2,295,265		(554,930)	10,579,420	5,197,350	1,515,880	(517,404)	6,195,826	4,383,594
Plant and Equipment	9,679,134	325,199		(369,687)	9,634,646	6,350,557	612,777	(340,663)	6,622,671	3,011,975
	45,993,157	**3,707,858**		**(1,373,546)**	**48,327,469**	**19,397,950**	**3,270,808**	**(1,132,332)**	**21,536,426**	**26,791,043**
Total	**324,856,037**	**12,793,235**	**13,912,356**	**(1,926,635)**	**349,634,993**	**142,494,440**	**15,654,322**	**(1,132,332)**	**157,016,430**	**192,618,563**

APPENDIX C
MSUKALIGWA MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2008

Department	Cost / Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Director Town Engineer	8,545	40,006			48,551	2,118	2,142		4,260	44,291
Public Works	87,614,168	10,631	4,059,575	(227,875)	91,456,499	51,656,580	4,989,880	(220,941)	56,425,519	35,030,980
Town Planning And Building	556,922	1,841		(26,897)	531,866	195,215	162,264	(26,897)	330,582	201,284
Street lights	2,226,438				2,226,438	966,394	101,115		1,067,509	1,158,929
Airport	1,088,979				1,088,979	154,129			154,129	934,850
Sewerage Network	57,218,581	1,918,450		(1,509)	59,135,522	24,304,358	2,755,583	(1,509)	27,058,432	32,077,090
Water Network	66,180,140	2,792,606	2,404,398	(87,757)	71,289,387	16,579,652	3,111,633		19,691,285	51,598,102
Water Purification	0		6,430,383	(465,332)	5,965,051	0			0	5,965,051
Electricity	43,211,116	4,129,833	139,153	(100,849)	47,379,253	28,852,247	1,748,951	(85,611)	30,515,587	16,863,666
Director Public Safety	36,135	14,984			51,119	14,212	12,045		26,257	24,862
Fire Brigade Services	2,502,973	223,273	84,441		2,810,687	1,684,283	100,184		1,784,467	1,026,220
Safety and Security	422,922				422,922	281,123	45,924		327,047	95,875
Licensing	1,150,038	41,291		(4,000)	1,187,329	546,145	79,574	(4,000)	621,719	565,610
Traffic	1,550,281	131,288		(1,500)	1,680,069	908,976	130,184	(1,500)	1,037,660	642,409
Parking Meters	441,228				441,228	220,614	22,061		242,675	198,553
Director Comm. & Health	15,000				15,000	0	5,000		5,000	10,000
Cemeteries	416,947		387,661		804,608	83,869	1,120		84,989	719,619
Parks and Grounds	2,366,305	371,601	406,745	(2,217)	3,142,434	863,376	78,469	(2,216)	939,629	2,202,805
Environmental Health	363,559	17,586		(18,202)	362,943	328,456	22,802	(18,011)	333,247	29,696
Clinics	1,376,833	53,648			1,430,481	92,450	11,099		103,549	1,326,932
Tuberculosis Hospital	237,557	12,318		(9,173)	240,702	54,712	3,891	(9,173)	49,430	191,272
Welfare	6,050				6,050	6,050			6,050	0
Refuse Removal	5,555,401	109,908		(119,249)	5,546,060	2,588,294	492,856	(87,770)	2,993,380	2,552,680
Housing	2,867,755	40,447			2,908,202	457,619	30,611		488,230	2,419,972
Staff Flats	1,031,362				1,031,362	0			0	1,031,362
Director Corporate Services	69,248	57,170		(25,536)	100,882	17,254	10,161	(9,931)	17,484	83,398
Mechanical Workshop	1,565,880	182,354		(92,500)	1,655,734	824,244	43,215	(92,500)	774,959	880,775
Civic Center	6,067,815	144,815		(1,999)	6,210,631	209,880	13,006	(1,618)	221,268	5,989,363
Administration	5,377,823	1,953,457		(185,214)	7,146,066	2,798,432	1,005,124	(169,961)	3,633,595	3,512,471
Human Recourses	170,473	50,748		(17,100)	204,121	142,040	14,778	(17,100)	139,718	64,403
Municipal Manager	145,878	35,629		(4,000)	177,507	123,798	9,950	(4,000)	129,748	47,759
I D P	34,434	24,771			59,205	30,915	2,672		33,587	25,618
Council General	18,579,247	73,600		(184,860)	18,467,987	1,836,346	128,174	(61,620)	1,902,900	16,565,087
Councillors	848,111	25,233		(13,050)	860,294	573,568	113,353	(1,676)	685,245	175,049
Director Finance	23,135	13,143			36,278	7,712	7,712		15,424	20,854
Municipal Stores	191,634				191,634	28,769	4,517		33,286	158,348
Finance	1,655,799	227,532		(253,816)	1,629,515	1,479,678	111,272	(253,531)	1,337,419	292,096
Marketing and Communication	304,884	77,979		(35,000)	347,863	287,766	13,946	(35,000)	266,712	81,151
Libraries	270,221	3,950			274,171	189,452	10,815		200,267	73,904
Swimming Pool	1,000,012				1,000,012	13,271			13,271	986,741
Sport Fields General	6,888,925			(49,000)	6,839,925	2,577,606	220,152	(27,767)	2,769,991	4,069,934
Golf Course	1,327,309				1,327,309	367,229	32,355		399,584	927,725
Sport and Recreation	1,845,828	13,143			1,858,971	101,462	5,732		107,194	1,751,777
Local Economic Development	44,146				44,146	44,146			44,146	0
	324,856,037	**12,793,235**	**13,912,356**	**(1,926,635)**	**349,634,993**	**142,494,440**	**15,654,322**	**(1,132,332)**	**157,016,430**	**192,618,563**

APPENDIX D

MSUKALIGWA MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

2007 Actual income R	2007 Actual expenditure R	2007 Surplus (Deficit) R	Segments	2008 Actual income R	2008 Actual Expenditure R	2008 Surplus (Deficit) R
39,795,126.85	27,182,296.09	12,612,830.76	**Executive & Council**	42,378,239.49	29,162,950.92	13,215,288.57
42,642,346.51	26,218,677.81	16,423,668.70	**Finance & Admin**	44,547,563.20	30,053,389.74	14,494,173.46
520,206.51	604,952.85	(84,746.34)	**Planning & Development**	1,257,068.32	1,944,522.30	(687,453.98)
3,864,940.08	5,523,251.17	(1,658,311.09)	**Health**	3,174,964.76	6,363,424.21	(3,188,459.45)
341,107.22	4,342,052.28	(4,000,945.06)	**Community & Social Services**	758,284.83	6,639,445.42	(5,881,160.59)
1,687,389.22	3,344,943.62	(1,657,554.40)	**Housing**	1,684,645.06	1,865,155.76	(180,510.70)
895,757.96	6,861,933.83	(5,966,175.87)	**Public Safety**	899,647.69	8,284,571.29	(7,384,923.60)
249,027.09	5,768,898.90	(5,519,871.81)	**Sport & Recreation**	746,047.61	6,378,474.07	(5,632,426.46)
0.00	0.00	-	**Environmental Protection**	0.00	0.00	-
28,023,788.54	22,868,088.17	5,155,700.37	**Waste Management**	24,127,234.36	27,400,644.39	(3,273,410.03)
12,525,807.92	12,101,730.90	424,077.02	**Road Transport**	8,845,255.53	13,760,761.30	(4,915,505.77)
32,750,611.66	20,667,121.74	12,083,489.92	**Water**	31,642,708.65	21,961,815.66	9,680,892.99
56,119,869.65	56,788,479.89	(668,610.24)	**Electricity**	65,948,604.74	59,755,432.57	6,193,172.17
68,102.94	33,597.91	34,505.03	**Other**	73,586.14	22,574.76	51,011.38
219,484,082.15	**192,306,025.16**	**27,178,056.99**	**TOTAL**	**226,083,850.38**	**213,593,162.39**	**12,490,687.99**
			Less Inter-Dep. Charges	(13,046,923.59)	(13,046,923.59)	-
			Less Amortization Debtors	(3,385,593.00)		
			TOTAL	**209,651,333.79**	**200,546,238.80**	**9,105,094.99**

Inter-departmental charges taken in account at each level of GFS function.

APPENDIX E (1)
MSUKALIGWA MUNICIPALITY
UNAUDITED - REVENUE AND EXPENDITURE - ACTUAL VERSUS BUDGET - FOR THE YEAR ENDED 30 JUNE 2008

	Actual R	Budget R	Variance R	Variance %	Explanation of significant variances greater than 10% versus budget
REVENUE					
Property rates	28,239,541.97	28,801,815.00	(562,273.03)	-1.95%	
Service charges	91,499,123.74	91,495,936.00	3,187.74	0.00%	
Government Grants and Subsidies - operating	48,306,056.60	51,178,388.00	(2,872,331.40)	-5.61%	
Government Grants and Subsidies - capital	22,892,521.27	33,656,284.00	(10,763,762.73)	-31.98%	Projects rolled over
Fines	533,131.76	1,642,000.00	(1,108,868.24)	-67.53%	Fines not realized, cases rejected
Interest earned - external investments	1,955,548.37	1,000,001.00	955,547.37	95.55%	Investments increased
Interest earned - outstanding debtors	8,500,684.57	8,623,629.00	(122,944.43)	-1.43%	
Rental of facilities and equipment	1,086,596.13	1,259,341.00	(172,744.87)	-13.72%	Rental on Caravan park not realized
Licenses and permits	1,913,095.00	1,562,000.00	351,095.00	22.48%	Increase in licensing fees
Income for agency services	2,454,994.29	2,040,000.00	414,994.29	20.34%	Increase in licensing fees & commissions
Gains on disposal of property, plant and equipment	1,064,551.37	3,305,593.00	(2,241,041.63)	-67.80%	Less sales than budgeted
Other income	4,591,081.72	3,200,546.00	1,390,535.72	43.45%	Royalties increase & income forfeited
Total Revenue	**213,036,926.79**	**227,765,533.00**	**(14,728,606.21)**	**-6.47%**	
EXPENDITURE					
Employee related cost	78,094,386.54	82,903,234.00	(4,808,847.46)	-5.80%	
Remuneration Councillors	5,926,005.84	5,928,735.00	(2,729.16)	-0.05%	
General expenses - other	28,587,340.79	33,417,348.00	(4,830,007.21)	-14.45%	Various savings on expenditure items
Interest on external borrowings	325,214.73	420,000.00	(94,785.27)	-22.57%	Less borrowed than budgeted
Bulk Purchases	35,145,409.73	32,780,000.00	2,365,409.73	7.22%	
Contracted services	12,339,679.10	15,067,537.00	(2,727,857.90)	-18.10%	IT budget included capital needs - expenditure from capital funds
Loss on disposal of property, plant and equipment	241,213.32	0.00	241,213.32		No budget for loss
Collection Cost	469,172.28	15,719.00	453,453.28	2884.75%	Cost from new appointed debt collectors
Repairs and Maintenance	10,213,629.81	10,755,738.00	(542,108.19)	-5.04%	
Depreciation	15,654,321.76	15,462,520.00	191,801.76	1.24%	
Bad debts	10,147,341.00	10,147,341.00	0.00	0.00%	
Contributions to/(transfers from) provisions	607,483.90	0.00	607,483.90		Contributions more than expenditure
Transfer to Non-current liability	2,795,040.00	2,786,348.00	8,692.00	0.31%	
Total Expenditure	**200,546,238.80**	**209,684,520.00**	**(9,146,973.20)**	**-4.36%**	
Less Amortization Debtors	**(3,385,593.00)**				
NET SURPLUS / (DEFICIT) FOR THE YEAR	**9,105,094.99**	**18,081,013.00**	**(5,581,633.01)**		

APPENDIX E (2)
MSUKALIGWA MUNICIPALITY
UNAUDITED - ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT - ACTUAL VERSUS BUDGET - FOR THE YEAR ENDED 30 JUNE 2008

	Actual R	Under construction R	Total Additions R	Budget R	Variance R	Variance %	Explanation of significant variances greater than 10% versus budget
Investment properties							
Erven	0.00	0.00	0.00	0.00	0.00		
Farming Land	0.00	0.00	0.00	0.00	0.00		
	0.00	0.00	0.00	0.00	0.00		
Infrastructure							
Airports	0.00	0.00	0.00	0.00	0.00		
Electricity	4,034,535.00	139,153.00	4,173,688.00	5,595,856.00	(1,422,168.00)	-25.41%	Projects still under construction
Pedestrian Malls	23,655.00	0.00	23,655.00	37,585.00	(13,930.00)	-37.06%	Project complete - lower quotation
Roads and Storm water	0.00	4,059,575.00	4,059,575.00	5,661,000.00	(1,601,425.00)	-28.29%	Projects still under construction
Sewerage	1,914,688.00	0.00	1,914,688.00	1,914,688.00	0.00		
Security Measures	14,105.00	0.00	14,105.00	14,105.00	0.00		
Water	2,775,104.00	8,834,781.00	11,609,885.00	13,090,561.00	(1,480,676.00)	-11.31%	Projects still under construction
	8,762,087.00	13,033,509.00	21,795,596.00	26,313,795.00	(4,518,199.00)		
Community Assets							
Community Buildings	321,759.00	878,847.00	1,200,606.00	3,275,000.00	(2,074,394.00)	-63.34%	Project still under construction
Recreational Facilities	1,531.00	0.00	1,531.00	1,532.00	(1.00)	-0.07%	
	323,290.00	878,847.00	1,202,137.00	3,276,532.00	(2,074,395.00)		
Heritage Assets							
Monuments	0.00	0.00	0.00	0.00	0.00		
Paintings	0.00	0.00	0.00	0.00	0.00		
	0.00	0.00	0.00	0.00	0.00		
Other Assets							
Bins and Containers	107,400.00	0.00	107,400.00	107,400.00	0.00		
Buildings	45,200.00	0.00	45,200.00	65,210.00	(20,010.00)	-30.69%	Project completed - lower quotation
Emergency Equipment	140,182.00	0.00	140,182.00	150,000.00	(9,818.00)	-6.55%	Project completed
Furniture and Fittings	623,893.00	0.00	623,893.00	625,282.00	(1,389.00)	-0.22%	Project completed
Motor Vehicles	170,719.00	0.00	170,719.00	172,924.00	(2,205.00)	-1.28%	Project completed
Office Equipment	2,295,265.00	0.00	2,295,265.00	2,617,982.00	(322,717.00)	-12.33%	Project completed - lower prices
Plant and Equipment	325,199.00	0.00	325,199.00	327,159.00	(1,960.00)	-0.60%	Project completed
	3,707,858.00	0.00	3,707,858.00	4,065,957.00	(358,099.00)		
	12,793,235.00	13,912,356.00	26,705,591.00	33,656,284.00	(6,950,693.00)		

APPENDIX F

MSUKALIGWA MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

GRANTS AND SUBSIDIES RECEIVED AND EXPENDITURE FOR GRANTS AND SUBSIDIES FOR THE YEAR ENDED 30 JUNE 2008

Name of Grant	Organ of State or Municipality	Opening Balance	Quarterly Receipts				Total Amount Received	Quarterly Expenditure				Total Amount Expenditure	Closing Balance	Grants Delayed/ Withheld	Reasons for delay OR non-compliance	Complied with conditions
			Sept.	Dec	March	June		Sept.	Dec	March	June					
Construction : Pavilion Wesselton Stadium	Dept. Sport & Recreation	21,925	0	0	0	0	0	0	0	0	21,925	21,925	0	No	Utilised within Financial year	Yes
Tractor & Trailor for Refuse	Gert Sibande District Municipality	5,544	0	0	0	0	0	0	0	0	5,544	5,544	0	No	Utilised within Financial year	Yes
Bulk Sewer Nganga	Dept. Local Gov & Housing	794,508	755,930	0	0	0	755,930	0	0	0	0	0	1,550,438	No	Carried over to 08/09	Yes
MIG capital	MIG	4,188,815	2,700,000	2,200,000	0	6,150,937	11,050,937	0	0	0	7,950,961	7,950,961	7,268,791	No	Carried over to 08/09	Yes
Drought Relief	Dept. Water & Forestry (DWAF)	30,789	0	0	0	500,000	500,000	0	0	0	0	0	530,789	No	Carried over to 08/09	Yes
Electricity ext. 32	Dept. Mineral & Energy	21,644	749,000	403,000	0	2,800,000	3,952,000	0	0	0	3,100,333	3,100,333	873,311	No	Carried over to 08/09	Yes
Grant to purchase computers	Private	1,234	0	0	0	0	0	0	0	0	1,234	1,234	0	No	Utilised within Financial year	Yes
Grant Sesifuba Hospital	Prov. Government	293,799	0	0	0	0	0	0	0	0	0	0	293,799	No	Carried over to 08/09	Yes
Cleanest town competition	Prov. Government	0	0	20,000	600,000	19,530	639,530	0	0	0	462,199	462,199	177,331	No	Carried over to 08/09	Yes
Sub total Grants Received General ledger		**5,338,258**	**4,204,930**	**2,623,000**	**600,000**	**9,470,467**	**16,898,397**	**0**	**0**	**0**	**11,542,196**	**11,542,196**	**10,694,459**			
Equitable Share	Nat. Government	0	13,460,360	10,095,270	16,825,450	0	40,381,080	10,095,270	10,095,270	10,095,270	10,095,270	40,381,080	0	No	Utilisedd within financial year	Yes
Subsidy : Dept of Health	Prov. Government	0	808,000	0	0	0	808,000	202,000	202,000	202,000	202,000	808,000	0	No	Utilisedd within financial year	Yes
Subsidy : Dept of Health (Sesifuba Hospital)	Prov. Government	0	797,596	575,313	361,489	602,362	2,336,760	491,166	585,512	600,287	659,795	2,336,760	0	No	Utilisedd within financial year	Yes
Training Grant	SITA	852,691	0	146,461	78,360	23,489	248,310	35,238	289,446	431,915	344,402	1,101,001	0	No	Utilisedd within financial year	Yes
Subsidy of salaries - Dept Public Works	DPLG	148,721	417,239	0	0	0	417,239	194,033	229,328	142,599	0	565,960	0	No	Utilisedd within financial year	Yes
Finance Management Grant 2007/2008	Prov. Government	0	0	500,000	0	0	500,000	0	0	0	500,000	500,000	0	No	Utilisedd within financial year	Yes
Finance Management Grant 2006/2007	Prov. Government	482,943	0	0	0	0	0	0	0	0	482,943	482,943	0	No	Utilisedd within financial year	Yes
Municipal Support Grant 2003/2004	Prov. Government	23,364	0	0	0	0	0	0	0	0	23,364	23,364	0	No	Utilisedd within financial year	Yes
Municipal Support Grant 2005/2006	Prov. Government	10,459	0	0	0	0	0	0	10,459	0	0	10,459	0	No	Utilisedd within financial year	Yes
Municipal Support Grant 2006/2007	Prov. Government	464,811	0	0	0	0	0	0	348,096	116,715	0	464,811	0	No	Utilisedd within financial year	Yes
Municipal Support Grant 2007/2008	Prov. Government	0	367,000	367,000	0	0	734,000	0	0	325,000	409,000	734,000	0	no	Utilisedd within financial year	Yes
Operational subsidy for PMU unit	MIG	361,621	0	0	0	552,547	552,547	228,542	228,542	228,542	228,542	914,168	0	No	Utilisedd within financial year	Yes
Sub total Grants Received Operational		**2,344,610**	**15,850,195**	**11,684,044**	**17,265,299**	**1,178,398**	**45,977,936**	**11,246,249**	**11,988,653**	**12,142,328**	**12,945,316**	**48,322,546**	**0**			
TOTALS		**7,682,868**	**20,055,125**	**14,307,044**	**17,865,299**	**10,648,865**	**62,876,333**	**11,246,249**	**11,988,653**	**12,142,328**	**24,487,512**	**59,864,742**	**10,694,459**			